

EXHIBIT AE

[PUBLIC VERSION]

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C O N F I D E N T I A L

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF WYOMING

No. 1:22-cv-00125-SW

DEPOSITION OF CAITLIN LONG

November 29, 2023

CUSTODIA BANK, INC.,

Plaintiff,

vs.

FEDERAL RESERVE BOARD OF GOVERNORS and FEDERAL
RESERVE BANK OF KANSAS CITY,

Defendants.

APPEARANCES:

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Appearing on behalf of Defendant.

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1 A It depends what you mean by, "speedy like."
2 Again, Commissioner Forkner knew that there were
3 multiple states that had uninsured bank charters, and
4 I recall him telling me they were in the northeast.

5 Subsequently, as in much more recently, I
6 did go look at who had those charters and figure out
7 which states had them. They are special purpose
8 uninsured charters that have, in the case of the ones
9 in the northeast, that have been around since the
10 late 1980s or early 1990s.

11 Q Those charters don't involve digital assets,
12 though, right?

13 A Correct.

14 Q So here you're submitting a request for a
15 master account as an uninsured entity, folks on
16 digital assets --

17 A Yes.

18 Q -- right? As of October of -- November
19 2020, were you aware of any uninsured entity with a
20 business model focused on digital assets that had a
21 master account?

22 A I was not aware of any. I do know now there
23 are 442 uninsured fed master account holders. That's
24 publicly disclosed in the feds August database
25 update.

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1 A No. It was by Zoom.

2 Q And how long did it last?

3 A An hour.

4 Q And who was the principal speaker on behalf
5 of Custodia?

6 A I was.

7 Q Did anyone else speak on behalf of
8 Custodia?

9 A Derek Bush, and I'm not sure who else, but
10 the management team would have been on.

11 Q Who were the primary speakers on behalf of
12 the board?

13 A Mark. It was Mark's meeting.

14 Q So Mark Van Der Weide was the primary
15 speaker?

16 A Yes.

17 Q AND did you walk through this -- at that
18 time, where did Custodia's application for membership
19 stand?

20 A We had not applied yet.

21 Q Was that a subject of discussion at the
22 meeting, membership?

23 A No. Actually, what happened is I made the
24 comment that it was on our road map to apply for fed
25 membership, but my understanding based on advice we'd

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1 received is that the fed does not want de novos to
2 become member banks until the banks had been
3 operating for a while and the kinks were worked out.

4 That prompted a call from Mark Van Der Weide
5 to Derek Bush right after the meeting to correct what
6 I had said, that the fed would welcome that, and
7 Derek and Mark spoke, and Derek's interpretation was,
8 "Mark is recommending that you apply for fed
9 membership, so let's do it."

10 Q Do you recall whether the subject of
11 membership came up in this meeting that you had, the
12 Zoom meeting that you had with the board?

13 A It definitely did because Mark made the
14 phone call on the basis of something I said, and I'm
15 just looking here to see if it's mentioned in the
16 slides or what the context was that would have
17 prompted Mark to make that phone call to Derek right
18 afterwards. Nothing's jumping out at me, but
19 obviously, I did say something because he called to
20 correct, and Derek's interpretation of that was Mark
21 wants us to apply to become a member bank now instead
22 of waiting, and we did.

23 Q Did you ask at that meeting -- did Custodia
24 ask at that meeting whether a decision on Custodia's
25 master account in the hands of the Board of

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1 Q Were those digital assets products and
2 services, though, were essential to Custodia's
3 profitability as a business, right?

4 A Ultimately, yes. And here's the disconnect.
5 Wyoming Division of Banking looked at us as a true de
6 novo that was staging over a three-year period
7 product launches. The Kansas City Fed, contrary to
8 what Mark Van Der Weide told us, did not want a de
9 novo bank to be applying for membership because the
10 hurdle against which we were measured in the exam was
11 a bank that was fully operating with no ramp-up
12 period.

13 Q Is it your testimony that it was improper
14 for Ross Crouch to include in this exam risk
15 management associated with digital asset products and
16 services that were not going to be rolled out on day
17 one?

18 A It was inconsistent with the feds own SR, I
19 believe it was 2016, that makes reference to de novo
20 banks, and that's what Mark Van Der Weide had pointed
21 Derek Bush back to when he corrected my statement
22 about the fed not wanting de novo banks to apply for
23 membership until they've been operating for a while,
24 and he pointed to the fact that the fed had this
25 statement for de novo banks, but it was obvious that

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1 the Kansas City Fed did not want a de novo bank to
2 apply for membership because the hurdle that it set
3 for us was so high.

4 And to give you an example, the entire
5 banking industry in the State of Wyoming has roughly
6 seven billion dollars in assets, and we as a de novo
7 bank were measured against a \$50 billion complex bank
8 standard.

9 Q You're, at this time, telling the fed that
10 you're going to launch with a narrow group of
11 products and services which will have Custodia
12 running at a loss, right?

13 A Yes.

14 Q Custodia would not be profitable?

15 A That's normal for de novo banks.

16 Q What's your basis for saying it's normal for
17 de novo banks?

18 A Every bank before it launches has to spend
19 the money on the banking core, has to put the risk
20 management systems in place, has to put the financial
21 management systems in place.

22 It's the nature of a de novo that you have
23 to spend money before you generate your first dollar
24 of revenue.

25 Q And for Custodia, profitability would be